



Agenda Date: 5/12/04  
Agenda Item: 4B

## STATE OF NEW JERSEY

**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

IN THE MATTER OF THE PETITION OF	)	<u>TELECOMMUNICATIONS</u>
PAETEC COMMUNICATIONS, INC. FOR	)	
APPROVAL TO INCUR DEBT OBLIGATIONS	)	ORDER OF APPROVAL
	)	
	)	DOCKET NO. TF04030150

(SERVICE LIST ATTACHED)

### BY THE BOARD:

PaeTec Communications, Inc. (PaeTec or Petitioner), a Delaware corporation and a public utility subject to the jurisdiction of the Board of Public Utilities (the Board), filed a petition with the Board on March 4, 2004, as amended on April 6, 2004, pursuant to N.J.S.A. 48:3-7 and 48:3-9, for approval to enter into a certain Third Amended and Restated Loan and Security Agreement, dated as of March 31, 2004 (Third Amendment), with a syndicate of financial institutions largely comprised of the existing lenders group plus two new lenders, IBM Credit LLC and Hewlett Packard Financial Services Company.

Petitioner is authorized to provide local exchange and interexchange services throughout New Jersey, pursuant to Board Order of Approval dated February 6, 2003, in Docket No. TE02060319. Petitioner is a wholly owned subsidiary of PaeTec Corp., a privately held Delaware corporation, whose principal business is telecommunications.

Petitioner requests Board approval of a modification to the terms governing repayment in the existing Loan and Security Agreement for the purpose of deferring the amortization of certain of the existing loans. Specifically, the Third Amendment creates a new Tranche B Revolving Credit Facility (B Revolver) and a new Tranche B Term Loan Facility (B Term Loan). The amounts of the B Revolver and the B Term Loan are, respectively, approximately \$44.7 million and \$81.3 million. The terms and conditions of the B Revolver and B Term Loan mirror those of the existing agreement, except for the amortization schedules and drawn pricing.

The annual interest rate on advances under the Third Amendment, at the option of the Petitioner, will be equal to either the London Interbank Offered Rate (LIBOR) plus the applicable margin, or the Alternate Base Rate plus the applicable margin. Petitioner's debt will be secured by certain of its assets and stock and will be unconditionally guaranteed by its parent, PaeTec

Corp. The proceeds from the Third Amendment will be used to fund transaction costs and provide for working capital and other general corporate purposes.

Petitioner, in accordance with N.J.A.C. 14:1-12 et seq., filed a request for confidential treatment of the term sheet and the Third Amendment submitted to the Board in conjunction with its review of this matter.

The staff's review indicates that the financing transaction is in accordance with law and that the use of the proceeds associated therewith is appropriate. Moreover, while there is no guarantee in this regard, especially given the competitive environment in which Petitioner operates, the Board is satisfied that the transactions will not have an adverse impact on Petitioner's operations in New Jersey.

After review, the Board FINDS that the proposed transaction is consistent with the applicable law and the public interest. The Board therefore, approves the purposes thereof. The Board HEREBY AUTHORIZES Petitioner to participate in the financing arrangements described herein.

This Order is issued subject to the following provisions:

1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
3. Petitioner shall semiannually file statements for the amounts, use of the amounts and use of the credit facilities pursuant to N.J.A.C. 14:1-5.9 (b).

4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

DATED: 5/12/04

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]

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JEANNE M. FOX  
PRESIDENT

[SIGNED]

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CAROL J. MURPHY  
COMMISSIONER

[SIGNED]

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CONNIE O. HUGHES  
COMMISSIONER

[SIGNED]

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JACK ALTER  
COMMISSIONER

ATTEST:

KRISTI IZZO  
SECRETARY



## Service List

### I/M/O Petition of Paetec Communications, Inc. for Approval to Incur Debt Obligations

TF04030150

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